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January 23, 1997

William F. Caton, Acting Secretary
Federal Communications Commission
Washington, D.C. 20554

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Re: Comments of Washington Independent Telephone Association -
CC Docket Nos. 96-262, 94-1, 91-213, and 96-263

Dear Mr. Caton:

Enclosed for filing are the original and sixteen copies of the Comments of the Washington Independent Telephone Association in the above-entitled dockets.

Thank you for your assistance in this matter.

Sincerely,


RICHARD A. FINNIGAN

RAF/aw
Enclosures as noted

cc: Terry Vann

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Access Charge Reform)	CC Docket No. 96-262
)	
Price Cap Performance Review)	CC Docket No. 94-1
for Local Exchange Carriers)	
)	
Transport Rate Structure)	CC Docket No. 91-213
and Pricing)	
)	
Usage of the Public Switched)	CC Docket No. 96-263
Network by Information Service)	
and Internet Access Providers)	

COMMENTS OF THE WASHINGTON INDEPENDENT TELEPHONE ASSOCIATION

The comments of the Washington Independent Telephone Association (WITA) submitted in this docket will address the issues concerning rate-of-return local exchange companies (LECs). The format is to begin with some general comments, then discuss the method of recovery of the carrier common line (CCL) portion of subscriber loop costs. The comments will then address the potential modifications to the transport rate structure. The comments will close with a discussion of the allocation of USF support to interstate revenue requirements.

General Comments

The approach taken by the Commission in this docket is to limit the primary scope of the proceeding to incumbent LECs subject to price cap regulation. Paragraph 50. The Commission went on to note that it plans to initiate a separate proceeding later this year to undertake a comprehensive review of regulation of rate-of-return incumbent LECs, including whether Part 69 cost allocation rules for the development of access charges should be modified. Paragraph 52.

WITA supports the approach taken by the Commission to defer consideration of access reform for rate-of-return incumbent LECs. WITA cautions the Commission that in taking this approach, at the time that it undertakes to review these issues for rate-of-return incumbent LECs, it must do so remembering that they are substantially different from price cap LECs. Generally, the rate-of-return incumbent LECs serve very rural and hard-to-serve areas requiring substantial investment in loop and distribution facilities per customer. In addition, these companies are not ordinarily engaged in the provision of toll services in competition with interexchange carriers (IXCs). Thus, the "price squeeze" arguments advanced by the IXCs as a basis for reforming access charges do not apply to this category of incumbent LECs.

The point that WITA wants to stress is that when it comes time to consider access charge reform issues as they apply to incumbent rate-of-return regulated LECs, the Commission should not start from the premise that the rules adopted for price cap incumbent LECs directly transfer to rate-of-return LECs.

Recovery of CCL Portion of Subscriber Loop Costs

The Commission seeks comment on possible revisions to the current CCL charge structure so that incumbent price cap LECs are no longer required to recover any of the NTS costs of the loop from IXCs on a traffic-sensitive basis. Paragraph 60. The Commission further invites comment on whether any changes that are adopted for recovery of interstate NTS local loop costs for price cap LECs should be extended to rate-of-return LECs. Paragraph 61.

It is WITA's position that any change adopted by the Commission for price cap LECs should not be immediately applied to rate-of-return LECs. The administrative cost of any of the proposals presented by the Commission are burdensome to the small incumbent LECs.

Small incumbent LECs are struggling as it is to continue to offer state-of-the-art service to their customers while complying with the changes already ordered by the Commission in various areas. As a small, but recent example, the small incumbent LECs have spent what is for them a relatively large sum of money to comply with the Commission's payphone orders¹. The costs to file tariffs to provide a separate payphone service for the market that the Commission declared competitive and to file the cost studies to remove the costs of payphone equipment from carrier common line rates in some cases may well exceed the revenues those companies received from payphone services for a calendar year.

¹*In re Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, et al.*, CC Docket No. 96-128, CC Docket No. 91-35, FCC 96-388 (Released September 20, 1996); FCC 96-439 (Released November 8, 1996).

The Commission has asked for comment on various alternative methods of recovery of NTS costs. One would permit LECs to recover the NTS costs not recovered from subscriber line charges (SLCs) through a flat, per-line charge paid by IXCs. This would be assessed against each customer's presubscribed interexchange carrier. Another alternative is a "bulk billing" methodology in which carriers are assessed a charge based upon their percentage share of interstate minutes of use or revenues. A third alternative is recovering interstate NTS loop costs through a "capacity charge" assessed on carriers based on the number and types of trunks that they purchase from incumbent LECs. Still another alternative is that LECs could assess a "trunk port charge" to each carrier based on the number of trunk-side ports, or connections it has with the local switch. Yet another alternative is a "trunk port and line port charge," which would be based on the number of trunk-side ports and the number of line-side ports. Paragraphs 61-63. In addition, the Commission proposes to increase or eliminate the SLC cap for lines used by multiline business customers and residential lines beyond the primary residential line. Paragraph 65.

WITA supports the use of the bulk billing concept. This appears to be competitively neutral among the interexchange carriers since it is predicated on their percentage share of interstate minutes of use or revenues. It avoids creating a barrier to entry into the interexchange market that a trunk port charge or capacity charge might have for very small carriers. It also avoids the potential administrative problems identified by the Commission with the flat, per-line charge based upon a customer's presubscribed interexchange carrier

(PIC). The bulk billing approach appears to be administratively inexpensive in comparison to the other alternatives.

WITA is strongly opposed to any proposal to either increase or eliminate the SLC cap on multi-line business and other than the primary line for residential and single-line business customers. If the SLC cap is eliminated on lines for multi-line business customers and residential lines beyond the primary residential line, major administrative burdens will be created. For example, It will be difficult to determine which is the primary residential line. Is it the wireline or wireless line? Is it the line to local carrier A or B? This method also disadvantages multi-line businesses compared to other businesses and may have an inadvertent effect of dampening the growth in access lines.

The proposal to increase or eliminate the SLC cap also presents the prospect of allowing customers to “game” the system by purchasing one primary residential line from an incumbent and a second “primary” residential line from another carrier to avoid paying the higher SLC on the second line. It will be very difficult to monitor this type of activity. Competition for growth in lines between competing carriers should be based upon the intrinsic value of the offerings of each of the carriers, not on an artificial increase in price for a second line.

Transport Rate Structure

The Commission proposes imposing any rules adopted relating to transport rate structure or the transport interconnection charge on all incumbent LECs. The Commission is proposing that transport rate structure be divided into three parts: (1) charges for

entrance facilities; (2) charges for direct-trunked transport service; and (3) charges for tandem-switched transport service. Paragraph 84.

The Commission tentatively concludes that transport rate structure rules should mandate flat-rated charges for entrance facilities and direct-trunked transport service. Paragraph 86.

The Commission presents various options for tandem-switched transport services. One option is to maintain the interim rate structure's treatment of the tandem-switched transport charge which gives IXCs a choice of two pricing alternatives for the purchase of tandem-switched transport service: a single usage-sensitive charge measured in airline miles from the serving wire center (SWC) to the end office; or, a flat-rated charge for dedicated facility from the SWC to the tandem office and a usage-sensitive charge for tandem-switched transport service from the tandem office to the end office with mileage computed separately for the two segments. Paragraphs 87 and 89.

Another option would be to eliminate the ability to select a single usage-sensitive charge and require incumbent LECs to assess flat-rated charges for the circuit between the SWC and the tandem and apply usage-based rates to the tandem-to-end office link. Paragraph 88.

The Commission also seeks comment on whether to permit or require incumbent LECs to develop peak and off-peak pricing for tandem switching. In addition, the Commission asks for comment on whether some portion of tandem switching costs should be recovered from direct trunked transport service customers if a portion of the tandem switching capacity is necessary to meet demand from direct trunked transport customers

during peak period. Paragraph 90. The Commission also seeks comments on various aspects of the *CompTel v. FCC* decision. Paragraphs 93-94.

The Commission further calls for comments on the transport interconnection charge (TIC). The Commission points out that the TIC was intended as a transitional measure that initially made the transport rate restructure revenue-neutral for incumbent LECs and reduced any harmful interim effects on small IXCs caused by restructuring of transport rates. Paragraph 96.

The Commission sets out several alternatives. One is to allow LECs pricing flexibility including deaveraged rates, consolidation of price cap baskets, contract carriage, and access rates based on end-user customer class distinctions. This pricing flexibility could be coupled with a transitional mechanism. Paragraphs 113-115.

As an alternative, the Commission could revise the TIC by quantifying and correcting all identifiable cost misallocations and assigning those misallocations appropriately, as well as being sure the TIC includes all appropriate elements. This would require a federal-state joint board to review the jurisdictional cost allocation issues. Paragraph 116.

The third alternative would be to combine a reassignment of some costs to facility-based elements and address the remaining costs through a phase-out methodology. The Commission tentatively concludes that this approach serves the public interest better than other alternatives because it is administratively simpler and it is not likely that the Commission could establish the causes for all costs included in the TIC in any event. Paragraph 117.

The fourth option is to establish a schedule under which the costs included in the TIC are phased out. Paragraph 118.

It is an understatement that the revenue stream from the TIC is substantial. WITA's position is that the TIC is a support mechanism for rate-of-return incumbent companies much like the Dial Equipment Minutes (DEM) weighting factor. Like DEM, the support provided by the TIC should be quantified and made explicit. It should be included in the federal universal service support mechanism for rate-of-return companies.

WITA's position on other issues of transport restructure is that incumbent LECs should have as much flexibility in dealing with interexchange carriers as competitive LECs. The rules should not substantially disadvantage either section of the local market. Thus, if a stringent approach is addressed to incumbent LECs, the competitive LECs should be bound by the same rules. Any LEC, whether incumbent or competitive, is a bottleneck to an IXC.

Allocation of USF Support

The Commission states that "because of the role that access charges have played in funding and maintaining universal service, it is critical to implement changes in the access charge system together with complimentary changes in the universal service system." Paragraph 244. The Commission seeks comment on whether the per-minute CCL charge and geographically averaged rates could, in essence, compensate incumbent LECs twice for providing universal service.

The Commission goes on to state: "For rate-of-return incumbent LECs, interstate costs must be reduced to reflect revenues received from any new universal service support mechanism to the extent allocated to the interstate jurisdiction." Paragraph 246.

WITA does not believe it is necessary to make any adjustment. The receipt of funds from the universal service fund from the federal universal service support mechanism is based upon the use of a benchmark. The Joint Board benchmark is calculated on a nationwide average revenue per line. This revenue per line amount includes revenue generated from access services. It is only the cost of local service in excess of the benchmark that are funded through the federal universal service support mechanism. Through this use of a benchmark, there is no double recovery.

Further, and most important, use of support from the federal universal support mechanism to reduce interstate access charges is an inappropriate use of those monies. It is clear that Congress' intent is that the universal service fund provide support for consumers, not interexchange carriers. See Section 254(b) of the Telecommunications Act of 1996. Use of the federal universal service support mechanism to reduce federal access charges to IXCs would violate the Act.

Respectfully submitted this 23rd day of January, 1997.

A handwritten signature in cursive script, reading "Terry Vann", written in dark ink.

TERRY VANN, Executive Vice President
Washington Independent Telephone Association